

BUFFALO FISCAL STABILITY AUTHORITY
Audit, Finance and Budget Committee Meeting Minutes
September 27, 2021

The following are the minutes from the meeting of the Audit, Finance and Budget Committee (the “Committee”) of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Monday, September 27, 2021. The Board met virtually in compliance with New York Legislation (S.50001/A.40001). The meeting was called to order at 12:39 PM.

Committee Members Present

Interim Vice-Chair Jeanette T. Jurasek
Secretary Frederick G. Floss

Committee Member Excused

Committee Chair R. Nils Olsen, Jr.

Staff Present

Executive Director Jeanette M. Robe
Principal Analyst/Media Liaison Bryce E. Link
Senior Analyst II/Manager of Technology Nathan D. Miller
Administrative Assistant Nikita M. Fortune
Comptroller Claire A. Waldron

Additionally Present

Sara M. Dayton, CPA, Partner, Lumsden & McCormick, LLP
Elizabeth S. Krause, CPA, Manager, Lumsden & McCormick, LLP

Opening Remarks

Committee Chair Pro Tem Floss opened the meeting, welcomed the attendees, and reviewed the agenda.

Roll Call

Committee Chair Pro Tem Floss called a roll of the members and, finding a quorum present, the meeting commenced.

Approval of Minutes

Committee Chair Pro Tem Floss introduced AFB Resolution No. 21-05: “Approval of June 21, 2021 Meeting Minutes and Resolution,” and requested a motion to approve.

Interim Vice-Chair Jurasek made a motion to approve AFB Resolution No. 21-05.

Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to approve AFB Resolution No. 21-05.

Presentation of BFSA's Fiscal Year 2021 Independent Auditors' Report by Lumsden McCormick, LLP

Committee Chair Pro Tem Floss noted the receipt of the independent audit of the BFSA for the fiscal year ended June 30, 2021 and stated the draft financial statements had been provided in the board books for review. Upon full board approval, they will be issued in "final form." Sara Dayton, Partner, from Lumsden & McCormick, LLP, was given the floor to present the audit findings.

Ms. Dayton stated Ms. Elizabeth Krause, Manager, Lumsden & McCormick, LLP would present the audit. Ms. Krause stated the BFSA was granted an unmodified opinion, which is a clean opinion on the financial statements based on the audit procedures.

Ms. Krause explained that assets as reported on the Statement of Net Position decreased by \$535,000 from 2020 primarily due to repayments on notes receivable from the City of Buffalo (the "City"), or mirror bonds; \$4.7M was paid on principal; investments were used to cover the difference. Therefore, receivables decreased by almost \$2.2M. Cash also decreased by almost \$3.0M which includes cash equivalents and investments, of which \$2.2M is earmarked for debt service. Total debt declined; therefore, the amount withheld for debt service also declined by \$2.9M. Due from other governments, consisting mainly of sales tax receivable, increased by \$4.3M. \$2.0M was due to an increase in revenue because of the approaching end of the pandemic. Deferred outflows of resources, primarily related to the New York State Employees' Retirement System, changed due to underlying assumptions and is amortized over several years. Liabilities decreased by \$893,000 due to repayments on bonds but offset by an increase in amounts due to the City from the increased sales tax revenues. The series 2005 bonds were paid off in fiscal year 2020. The remaining bonds are series 2007 and 2015 and total approximately \$7.2M. Deferred inflows of resources are required to be reported on only a government-wide basis only. BFSA's net position for 2021 totaled a slight deficit of \$293,000 with a restricted portion of \$2.4M at June 30, 2021 less interest payable in the debt service fund. The real net impact is approximately zero based on timing. There was a negative change in net position of \$65,000 from 2020.

Ms. Krause reported general sales tax revenue increased by \$16.6M as compared to 2020 due to an increase in sales tax. New York State Aid and Incentives for Municipalities ("State AIM") of \$181.0M was received for 2021, an increase of \$39.3M over the prior year. It was noted that 20%, or \$19.0M was withheld in the previous fiscal year and recouped in fiscal year 2021. Distributions to the City and Buffalo City School District (the "District") increased by \$49.5M and \$5.8M, respectively, as the payments reflect the increase in general revenues.

Ms. Dayton continued the presentation by reviewing the Communication of Those Charged with Governance letter and stated the COVID-19 Pandemic (the "Pandemic") delayed implementation of some new accounting standards. Other postemployment benefits ("OPEB") was calculated using the alternative measurement method and as no one has received any benefit from it the assumptions were adjusted in fiscal year 2020. The uncertain impact of the Pandemic was also noted.

Ms. Dayton stated there were no difficulties performing the audit. Any suggested adjustments were posted by BFSA's management. No material weaknesses were found. Two informational points were disclosed regarding GASB Statement No. 87 being implemented in 2022 to recognize all leases as capital leases and GASB Statement No. 96 which involves subscription-based information technology arrangements.

Committee Chair Pro Tem Floss asked Ms. Dayton to explain what the negative net position represents. Ms. Dayton explained the net position fluctuates due to estimated OPEB as compared to actuals and noted this is a noncash item.

Hearing no additional questions or comments, Committee Chair Pro Tem Floss thanked Ms. Dayton and Ms. Krause for the presentation. He requested a motion to accept the audit's findings and to send the audit to the full board with a recommendation for approval.

Interim Vice-Chair Jurasek made the requested motion.
Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to accept the audit's findings and to send the audit to the full board with a recommendation for approval.

BFSA Annual Report

Committee Chair Pro Tem Floss advanced the agenda to the review of the BFSA Annual Report and to delegate authority to the Executive Director, Chair, Interim Vice-Chair and Comptroller to make any necessary changes for its accurate completion. BFSA Executive Director Ms. Jeanette M. Robe began her presentation.

Ms. Robe gave an overview of the components of the BFSA Annual Report. The Annual Report aligns with the requirements of New York State Public Authorities Law, summarizes the accomplishments of the most recent fiscal year ended June 30, 2021 and is required to be filed with the New York Authorities Budget Office within ninety days of fiscal year end. The Annual Report will be filed after approval by the full board. The report is filed with the Office of the State Comptroller and other State officials as required by Public Authorities Law, and is provided to other interested parties who are not required to receive a copy. The three main sections of the report are:

- I. Organizational:
 - A general discussion is provided explaining the purpose, its mission and how the BFSA operated under the statute
 - Governance and administration functions are discussed including an In Memoria to recognize the vast contributions of Secretary George K. Arthur
 - Enhanced discussion to provide a broad discussion over the financial impact and uncertainty related to COVID-19

II. Summary of Accomplishments:

- Discussion on progress towards fiscal stability by the City and the Covered Organizations since BFSA's inception, along with current challenges
- Discussion on the significance of the multi-year financial planning process as representing the core of BFSA's financial oversight of the City and the Covered Organizations along with a review of the work conducted by BFSA over the last year
- A description of each report issued by BFSA over the last year is provided along with a summary of recommendations and comments demonstrating the Board's compliance with its mission; thirty-two reports were issued by BFSA over the past year
- Other areas of fiscal monitoring conducted by BFSA, such as the monitoring of workforce trends; summary of financing framework
- The cumulative financial impact of the BFSA since inception was reviewed indicating the total impact of BFSA's actions have been \$459.8M. The City and District's estimated cumulative financial impact from the wage freeze is \$240.4M from 2004-2007
- \$150,000 was remitted to the City for investment earnings on debt service set-asides
- \$1.0M of distressed hospital sales tax was not intercepted at the State level as the BFSA Act does not permit the State Comptroller to intercept that payment

III. The four individual reports on the review and analysis of the final budgets and four-year financial plans for each entity.

Hearing no questions on the Annual Report, Committee Chair Pro Tem Floss asked for a motion to accept the BFSA Annual Report as submitted and to delegate authority to the Executive Director, Chair, Interim Vice-Chair and Comptroller to make any necessary changes for its accurate completion.

Interim Vice-Chair Jurasek made the requested motion.

Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to send the BFSA 2021 Annual Report to the full Board with a recommendation for approval.

BFSA Investment Report

Committee Chair Pro Tem Floss advanced the agenda to review a copy of the BFSA annual Investment Report to be presented by BFSA Comptroller, Ms. Claire A. Waldron. Ms. Waldron stated NYS Public Authority Law requires the Authority to provide an annual investment report including investment guidelines. The main focus of investment activities is to safeguard principal amounts as well as realize a reasonable return on investments. As of June 30, 2021, BFSA total cash investments were \$2.7M with a total investment earnings of \$140,966. BFSA maintained two principle investment accounts – Bank of New York Mellon, to service debt-service set-a-sides and BFSA's operating account at Key Bank.

An adjustment was made to investments as required by GASB 72 to reflect fair market value; therefore, an adjustment of \$48,782 was posted.

There were no investment fees or commission paid with respect to the investment portfolio for 2020-21 and trustee fees were reported as \$6,019.

Ms. Waldron stated the previously reviewed Independent Audit is also included as part of the Investment Report.

Hearing no additional questions or comments, Committee Chair Pro Tem Floss requested a motion to approve the BFSA Annual Investment Report.

Interim Vice-Chair Jurasek made a motion to approve the 2021 BFSA Annual Investment Report.

Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to accept the BFSA Annual Investment Report.

PFM Financial Advisors

Committee Chair Pro Tem Floss introduced AFB Resolution No. 21-06: “Approve Engagement of Public Financial Management as Financial Advisors.”

Public Financial Management (“PFM”) served as the financial advisor for the BFSA’s period of issuing debt on behalf of the City and retains the historical knowledge related to these complex transactions. The engagement period would be from October 1, 2021 through September 30, 2022 and would extend the terms and rates as last year.

Interim Vice-Chair Jurasek made a motion to approve AFB Resolution No. 21-06.

Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to approve AFB Resolution No. 21-06.

Adjournment

Committee Chair Pro Tem Floss asked if there was additional business to be considered by the Committee and commended BFSA staff for its effective collaboration with auditors and obtaining a clean audit. Director Floss also thanked BFSA staff, the City Administration, and Lumsden & McCormick for all the hard work performed during such an unprecedented time.

Interim Vice-Chair Jurasek offered a motion to adjourn.

Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to adjourn the meeting.

The Committee adjourned 1:13 P.M.